Masitu Marketing (M) Sdn Bhd & Ors v Masfoam Engineering Sdn Bhd & Ors

HIGH COURT (JOHOR BAHRU) — CIVIL SUIT JA-22IP-3–09 OF 2019
EVROL MARIETTE PETERS JC
18 JANUARY 2021

Trademarks — Infringement of trademark — Whether defendants had used the trademark — Whether mark used was identical to the trademark — Whether the intention to infringe the trademark was relevant — Whether the defendants used the trademark in good faith

Tort — Passing off — Goodwill — Whether the plaintiffs acquired goodwill in their trade/business — Whether there must be misrepresentation by the defendants which causes damages to the goodwill of the plaintiffs' business through unlawful association created by the defendants — Whether the plaintiffs had thereby suffered or was likely to suffer damage as a result of the defendants' misrepresentation

This was the plaintiffs' claim against the defendants for infringement of the registered trademark 'MASFOAM'/'Masfoam', and for passing off the defendant's products as those of the plaintiffs. The plaintiffs were companies within a group of companies known as the Masitu Group. The second and third plaintiffs had in 2001, commenced the manufacture, production, sale, offer for sale and distribution of foam products under the 'MASFOAM' mark, and had thereafter referred to these products as the 'MASFOAM products'. On 3 July 2006, the first plaintiff applied for the registration of the mark 'MASFOAM' ('the trade mark') which was approved and granted by the Intellectual Property Corporation of Malaysia ('MYIPO') MYIPO on 22 October 2008, and which was subsequently renewed and extended for a further ten years until 3 July 2026. The second and third defendants were directors and shareholders of the first defendant which was in the business of manufacture, production, and sale of products ('the defendants' products') that were similar to the MASFOAM products. The third defendant was also the sole proprietor of CMT Moulding Construction and GRC Facades Enterprise, which were in the business of manufacture, production, and sale of products that were similar to the MASFOAM products. The fourth defendant was the sole proprietor of Selatan Engineering & Construction, also in the business of manufacture, production, and sale of products that were similar to the MASFOAM products. Sometime in March 2019, the plaintiffs discovered that the defendants had sold products similar to MASFOAM products. In September 2019, the plaintiffs instituted this claim against the first, second and third defendants.

Held, allowing the claim with costs of RM40,000:

(1) A trademark, therefore, referred to a mark used in relation to goods or services indicating a connection in the course of trade between the goods and the registered proprietor. This meant that use of the mark was not restricted to good only, but also as an indicator of goods such as purchase orders, invoices, resume and letters. In this case, such documents belonging to the first defendant, CMT Moulding Construction and GRC Facades Enterprise had clearly indicated the use of the trademark, on their documents which included invoices, advertisements, delivery orders, and business cards (see para 13).

(2) It was imperative to highlight that the plaintiffs' claim for both infringement of trademark and passing off was premised on the unauthorised use by the defendants of the mark 'MASFOAM'/'Masfoam', and and had nothing whatsoever to do with the artistic representation. The defendant's contention on the absence of the similarity was untenable (see para 19).

(3) The defence of good faith in s 40(1)(a) of the Trade Marks Act applies only when the defendants had established the following namely, that the use of 'MASFOAM'/'Masfoam': (a) was by a person of his own name; and (b) was used in good faith. It was pertinent to note that 'MASFOAM'/'Masfoam' was not a name of a person or the place of business. Secondly, the second and third defendants had admitted having knowledge of 'MASFOAM'/'Masfoam' before incorporating the first defendant on 17 August 2012, thus negating the averment that Masfoam was a word invented by them, and as such, failing to establish the element of good faith (see paras 23–24).

(4) The plaintiffs which had been using the trademark since 2001, had been generating extensive sales in Malaysia, and had even garnered several accolades through the third plaintiff. As a result thereof, the plaintiffs had acquired substantial goodwill and reputation in their trade through the trademark, whereby the public as well as the construction community had identified 'MASFOAM' exclusively with the plaintiffs. 'MASFOAM' had, therefore, become an indicator of the plaintiffs' business and the MASFOAM products. There was no requirement for a trademark to be renowned before the user may be said to have acquired business goodwill (see paras 32–33).

(5) The first defendant, together with CMT Moulding Construction and GRC Façade Enterprise had used 'MASFOAM'/'Masfoam' without the plaintiffs' consent. Such usage would have definitely deceived or confused potential buyers or customers of MASFOAM products. The second and third defendants, they were both involved in using 'MASFOAM'/'Masfoam' for the name of the first defendant. This

rendered the second and third defendants liable for the act of passing off and infringement of the trademark. The third defendant, being the sole proprietor for both CMT Moulding Construction and GRC Façade Enterprise, had used 'MASFOAM'/'Masfoam' on their business resume without the permission of the plaintiffs, and had also held himself to be the representative of the first defendant, as well CMT Moulding Construction and GRC Facades Enterprise, used the mark which was visually and phonetically identical to the trademark (see paras 36–38).

(6) There was misrepresentation by the defendants by the use of 'MASFOAM'/'Masfoam' on their invoices, purchase orders, delivery orders, resume and Facebook page, which would cause the public to associate the defendants' business and products with the plaintiffs, and which would likely to divert the plaintiffs' business, and injure the plaintiffs' business goodwill (see para 39).

[Bahasa Malaysia summary

Ini merupakan tuntutan plaintif terhadap defendan untuk pelanggaran cap dagang 'MASFOAM/'Masfoam', dan untuk kelirupaan produk defendan dengan produk plaintif. Plaintif merupakan kumpulan syarikat yang dikenali sebagai Masitu Group. Plaintif kedua dan ketiga telah pada tahun 2001, memulakan pengilangan, pembuatan, penjualan, tawaran untuk menjual dan pengedaran produk buih dibawah cap MASFOAM dan dari sini produk tersebut dirujuk sebagai produk MASFOAM. Pada 3 Julai 2006, plaintif pertama telah memohon untuk pendaftaran cap dagangan MASFOAM ('cap dagangan tersebut') yang telah diluluskan dan dibenarkan oleh Korporasi Harta Intelek Malaysia ('MYIPO') MYIPO pada 22 Oktober 2008, dan telah kemudiannya diperbaharui dan dilanjutkan untuk tempoh sepuluh tahun sehingga 3 Julai 2026. Defendan kedua dan ketiga merupakan pengarah dan pemegang saham defendan pertama yang merupakan dalam perniagaan pengilangan, pembuatan dan penjualan produk (produk defendan) yang serupa dengan produk MASFOAM. Defendan ketiga merupakan pemilik tunggal CMT Moulding Construction dan GRC Facades Enterprise, yang berada dalam pernigaan mengilang, membuat dan menjual produk yang serupa dengan produk MASFOAM. Defendan keempat merupakan pemilik tunggal Selatan Engineering & Construction, yang juga dalam perniagaan pengilangan, pembuatan dan penjualan produk yang serupa dengan produk MASFOAM. Lebih kurang dalam March 2019, plaintif telah mendapati bahawa defendan telah menjual produk yang serupa dengan produk MASFOAM. Pada September 2019, plaintif memulakan tuntutan ini terhadap defendan pertama, kedua dan ketiga.

Diputuskan, membenarkan tuntutan dengan kos RM40,000

(1) Satu cap dagangan, oleh itu, merujuk kepada cap yang digunakan berkaitan dengan barangan atau perkhidmatan menunjukan kaitan

dalam perjalanan perniagaan antara barangan dan pemilik berdaftar. Ini bermaksud kegunaan cap tersebut tidak terhad kepada barangan sahaja tetapi juga sebagai penanda barangan seperti permohonan pembelian, inbois, resume dan surat. Dalam kes ini, dokumen milik defendan pertama, CMT Moulding Construction dan GRC Facades Enterprise telah dengan jelas menunjukan penggunaan cap dagangan tersebut pada dokumen mereka yang meliputi inbois, iklan, permohonan penghantaran dan kad perniagaan (lihat perenggan 13).

(2) Ianya penting untuk menyatakan bahwa tuntutan plaintif untuk kedua-dua pelanggaran cap dagangan dan kelirupaan adalah berdasarkan penggunaan tidak sah oleh defendan cap 'MASFOAM'/'Masfoan' dan tidak berkaitan dengan representasi artistik. Pengataan defendan berkaitan dengan ketiadaan keserupaan tidak dapat dipertahankan (lihat perenggan 19).

(3) Pembelaan niat baik dalam s 40(1)(a) Akta Cap Dagangan hanya terpakai apabila defendan telah membuktikan perkara berikut iaitu, penggunaan 'MASFOAM'/'Masfoam': (a) adalah dari seorang yang menggunakan namanya sendiri; dan (b) digunakan dengan niat baik. Ianya penting untuk mengambil kira bahawa 'MASFOAM'/'Masfoam' bukanlah nama seorang individu atau tempat perniagaan. Keduanya, defendan kedua dan ketiga telah mengakui mempunyai pengetahuan mengenai 'MASFOAM'/'Masfoam' sebelum mewujudkan defendan pertama pada 17 Ogos 2012, oleh itu menyangkal pengataan bahawa Masfoam merupakan perkataan yang mereka telah reka, dan oleh itu gagal untuk membuktikan elemen niat baik (lihat perenggan 23–24).

(4) Plaintif yang telah menggunakan cap dagangan tersebut sejak tahun 2001 telah membuat jualan yang ekstensif di Malaysia, dan juga telah menerima beberapa anugerah melalui plaintif ketiga. Oleh itu, plaintif telah memperoleh nama baik dan reputasi substantif dalam perdagangan mereka melalui cap dagang mereka, yang mana orang awam dan juga komuniti pembinaan telah mengenal pasti MASFOAM secara eksklusif dengan plaintif. Oleh itu, MASFOAM telah menjadi satu penanda aras perniagaan plaintff dan produk MASFOAM. Tiada keperluan untuk satu cap dagangan untuk menjadi masyhur sebelum pengguna tersebut boleh dikatakan telah mendapat nama baik perniagaan (lihat perenggan 32–33)

(5) Defendan pertama bersama dengan CMT Moulding Construction dan GRC Facade Enterprise telah menggunakan 'MASFOAM'/'Masfoam' tanpa keizinan plaintif. Penggunaan tersebut akan mengelirukan atau menipu bakal pembeli atau pelanggan produk MASFOAM. Defendan kedua dan ketiga, mereka kedua-dua terlibat dalam penggunaan 'MASFOAM'/'Masfoam' untuk nama defendan pertama. Ini menyebabkan defendan kedua dan ketiga bertanggungan untuk

tindakan kelirupaan dan pelanggaran cap dagangan. Defendan ketiga, iaitu pemilik tunggal CMT Moulding Constrcution dan GRC Facade Enterprise, telah menggunakan 'MASFOAM'/'Masfoam' atas resume perniagaan mereka tanpa kebenaran plaintif, dan juga telah membawa dirinya sebagai wakil defendan pertama, dan CMT Moulding Construction, dan GRC Macade Enterprise, telah menggunakan cap yang secara fonetik dan rupa serupa dengan cap dagangan (lihat perenggan 36–38).

(6) Wujud misrepresentasi oleh defendan melalui penggunaan 'MASFOAM'/'Masfoam' pada inbois, permohonan pembelian, perintah penghataran, resume, paparan Fecebook, yang akan menyebabkan orang awam untuk mengaitkan perniagaan defendan dan produk dengan plaintif, yang akan berkebarangkalian memindahkan perniagaan plaintif, dan mencederakan nama baik perniagaan plaintif (lihat perenggan 39).]

Cases referred to

Acushnet Company v Metro Gold Manufacturing Sdn Bhd [2006] MLJU 412; [2006] 7 CLJ 557, HC (folld)
Dabur India Ltd v Nagasegi Sdn Bhd & Ors [2011] 7 MLJ 522, HC (refd)
Erven Warnink BV v Townend & Sons (Hull) Ltd [1979] AC 731, HL (refd)
McAllister v Campbell [2014] NIQB 24, QBD (folld)
Philip Morris Products SA v Ong Kien Hoe & Ors [2009] 4 MLJ 727; [2009] MLJU 485, HC (refd)
Reckitt and Colman Products Ltd v Borden Inc and Others [1990] 1 All ER 873, HL (refd)
Sean Thornton (a minor by his mother and next friend) v Northern Ireland Housing Executive [2010] NIQB 4, QBD (folld)
Seet Chuan Seng & Anor v Tee Yih Jia Foods Manufacturing Pte Ltd [1994] 2 MLJ 770, SC (distd)
SkyWorld Development Sdn Bhd & Anor v SkyWorld Holdings Sdn Bhd & Ors [2020] 3 MLJ 294, CA (distd)
Yong Sze Fun & Anor (t/a Perindustrian Makanan & Minuman Layang-Layang) v Syarikat Zamani Hj Tamin Sdn Bhd & Anor [2012] 1 MLJ 585, CA (refd)

Legislation referred to

Evidence Act 1950 s 146
Trade Marks Act 1976 (repealed by Trademarks Act 2019) ss 3, 38, 40(1)(a)
Trademarks Act 2019 s 167

Lee Kok Phong (M Scully) for the plaintiffs.
Wong Kim Fatt (Wong Boon Lee with him) (Gulam & Wong) for the defendants.

Evrol Mariette Peters JC:

INTRODUCTION

[1] This is the plaintiffs' claim ('this claim') against the defendants, for infringement of the registered trademark, 'MASFOAM'/'Masfoam', and for passing off the defendants' products as those of the plaintiffs.

THE BACKGROUND FACTS

[2] The plaintiffs are companies within a group of companies known as the Masitu Group. The second and third plaintiffs are companies that had, in 2001, commenced the manufacture, production, sale, offer for sale and distribution of foam products under the 'MASFOAM' mark, and had thereafter referred to these products as the 'MASFOAM products'. The first plaintiff was incorporated on 11 April 2002, for the purpose of spearheading the marketing, selling, and offering for sale of the MASFOAM products.

[3] 'MASFOAM' is a word invented by the second and third plaintiffs by combining the prefix 'Mas' of their trade name 'Masitu' to the word 'foam', with the same being the core ingredient of the MASFOAM products.

[4] On 3 July 2006, the first plaintiff applied for the registration of the mark 'MASFOAM' ('the trademark') which was approved and granted by the Intellectual Property Corporation of Malaysia ('MYIPO') MYIPO on 22 October 2008, and which was subsequently renewed and extended for a further ten years until 3 July 2026.

[5] The second and third defendants were directors and shareholders of the first defendant which was in the business of manufacture, production, and sale of products ('the defendants' products') that were similar to the MASFOAM products. The third defendant was also the sole proprietor of CMT Moulding Construction and GRC Facades Enterprise, which were in the business of manufacture, production, and sale of products that were similar to the MASFOAM products. The fourth defendant was the sole proprietor of Selatan Engineering & Construction, also in the business of manufacture, production, and sale of products that were similar to the MASFOAM products.

[6] Sometime in March 2019, the plaintiffs discovered that the defendants had sold products similar to MASFOAM products. In September 2019, the plaintiffs instituted this claim against the first, second and third defendants, for the following:

(a) for infringement of the trademark of the first plaintiff, by the first, second, and third defendants (collectively 'the defendants'); and

A (b) for the tort of passing off the defendants' products as of those of the MASFOAM products, without the plaintiffs' permission or consent.

[7] The plaintiffs' claim was allowed for the following reasons.

B CONTENTIONS, EVALUATION, AND FINDINGS

Infringement of trademark

C **[8]** Since this action was filed in September 2019, before the coming into operation date of the Trademarks Act 2019, which was 27 December 2019, the applicable statute, therefore, was the Trade Marks Act 1976 ('the Trade Marks Act'), by virtue of s 167 of the Trademarks Act 2019, which reads:

Section 167 — Effects of registration in relation to infringement

D ...

(2) *Sections 38 and 51 of the repealed Act continue to apply* in relation to infringements committed before the commencement of this Act. (Emphasis added.)

E

[9] The starting point of reference in the claim for infringement of trademark is s 38 of the Trade Marks Act, which reads:

Section 38 — Infringement of a trademark

F (1) A registered trademark is infringed by a person who, *not being the registered proprietor* of the trademark or registered user of the trademark using by way of permitted use, *uses a mark which is identical with it or so nearly resembling it as is likely to deceive or cause confusion* in the course of trade in relation to goods or services in respect of which the trademark is registered in such a manner as to render the use of the mark likely to be taken either:

G

(a) as being use as a trademark;

(b) in a case in which the use is use upon the goods or in physical relation thereto or in an advertising circular, or other advertisement, issued to the public, as importing a reference to a person having the right either as registered proprietor or as registered user to use the trademark or to goods with which the person is connected in the course of trade; or

H

(c) in a case in which the use is use at or near the place where the services are available or performed or in an advertising circular or other advertisement issued to the public, as importing a reference to a person having a right either as registered proprietor or as registered user to use the trademark or to services with the provision of which the person is connected in the course of trade. (Emphasis added.)

I

[10] It was undisputed that the first plaintiff was the registered proprietor of the trademark. The first issue, therefore, was whether the defendants had used the trademark.

Whether the defendants had used the trademark

[11] The defendants contended that the trademark was not found on any of their products, and therefore, there was no infringement whatsoever.

[12] This brings to the forefront, the definition of 'trademark' in s 3 of the Trade Marks Act, which reads:

> 'trademark' means, except in relation to Part XI, a mark used or proposed to be used in relation to goods or services for the purpose of indicating or so as to indicate a connection in the course of trade between the goods or services and a person having the right either as proprietor or as registered user to use the mark whether with or without an indication of the identity of that person, and means, in relation to Part XI, a mark registrable or registered under the said Part XI.

[13] A trademark, therefore, refers to a mark used in relation to goods or services indicating a connection in the course of trade between the goods and the registered proprietor. This means that use of the mark is not restricted to goods only, but also as an indicator of goods such as purchase orders, invoices, resume and letters. In this case, such documents belonging to the first defendant, CMT Moulding Construction and GRC Facades Enterprise had clearly indicated the use of the trademark, on their documents which included invoices, advertisements, delivery orders, and business cards.

[14] It is crucial to note that the notes of evidence pointed to an admission by Lew Yon Fuah, the third defendant ('DW1'), that the defendants had maintained a Facebook page and website, wherein the name 'Masfoam Engineering Sdn Bhd', was used to sell, market and supply their products to the public and construction community by using the term 'Masfoam'/'MASFOAM' as reference to their products.

[15] The second and third defendants contended that they were merely directors and shareholders of the first defendant, and by virtue of the doctrine of separate legal entity, liability should not be attached to them. However, it was the plaintiffs' averment that the infringement was also based on the conduct of the second and third defendants in incorporating the first defendant using the name 'Masfoam'.

[16] It is pertinent to note that both the second defendant ('DW2') and third defendant ('DW1') themselves had admitted during cross-examination that they had known of the existence of the trademark even before the

A incorporation of the first defendant. This was also evidenced by a delivery order dated 2 April 2011, issued by CMT Moulding Construction.

[17] In view of these blatant examples, as well as the admission made during cross-examination, there was no doubt whatsoever that the defendants had in fact used the trademark.

Whether the mark used was identical to the trademark

[18] The defendants contended that the mark they used was not similar to the trademark. However, the mark that the defendants were referring to was not the trademark in question, but the following artistic representation or the logo seen on the plaintiff's catalogue, which the defendants submitted, contained characters (with particular reference to the two characters — second from the right, and second from the left), that were not even letters of the alphabet:

MASFOAM

[19] It is imperative to highlight that the plaintiffs' claim for both infringement of trademark and passing off was premised on the unauthorised use by the defendants of the mark 'MASFOAM'/'Masfoam', and

Masfoam

, and had nothing whatsoever to do with the artistic representation referred to above. The defendants' contention on the absence of similarity between the mark they used and the trademark was, therefore, untenable.

Whether intention to infringe the trademark was relevant

[20] The defendants contended that even if there was infringement of the trademark, they had no intention to do so in using 'Masfoam' to incorporate the first defendant. I am unable to agree with this argument as 'intention' is not an element that the plaintiffs needed to prove, to establish infringement of trademark under s 38 of the Trade Marks Act. This was clearly stated in the cases of *Philip Morris Products SA v Ong Kien Hoe & Ors* [2009] 4 MLJ 727; [2009] MLJU 485, and *Acushnet Company v Metro Gold Manufacturing Sdn Bhd* [2006] MLJU 412; [2006] 7 CLJ 557, where in the latter case, it was elucidated by Ramly Hj Ali J (as he then was):

> ... it is not necessary that it should be intended to deceive or to cause confusion. We do not have to look into the mind of the user to see what he intended. It is its probable effect on ordinary people which we need to consider. *The user may have no such intention, and was completely honest. But, he may still be guilty of infringement if his usage of the trademark is likely to deceive or to cause confusion on the ordinary people*, (see *Parker-Knoll Limited v Knoll International Limited*). (Emphasis added.)

[21] In conclusion, the defendants' submission on their absence of intention to infringe the trademark was irrelevant and inapplicable to the present case.

Whether the defendants had used the trademark in good faith

[22] The defendants submitted that they had used 'Masfoam' in the first defendant's name, in good faith. The defence of good faith is found in s 40(1)(a) of the Trade Marks Act, which reads:

> Section 40 — Acts not constituting infringement
>
> (1) Notwithstanding anything contained in this Act, the following acts do not constitute an infringement of a trademark:
>
> (a) *the use in good faith a person of his own name or the name of his place of business or the name of the place of business* of any of his predecessors in business; (Emphasis added.)

[23] The defence of good faith in s 40(1)(a) of the Trade Marks Act applies only when the defendants have established the following, namely, that the use of 'MASFOAM'/'Masfoam':

(a) was by a person of his own name; and

(b) was used in good faith.

[24] At this juncture, it is pertinent to note that 'MASFOAM'/'Masfoam' is not a name of a person or the place of business. Secondly, the second and third defendants had admitted having knowledge of 'MASFOAM'/'Masfoam' before incorporating the first defendant on 17 August 2012, thus negating the averment that Masfoam was a word invented by them, and as such, failing to establish the element of good faith.

[25] Section 40(1)(a) of the Trade Marks Act was, therefore, inapplicable to the facts of the present case.

A TORT OF PASSING OFF

[26] The plaintiffs' claim against the defendants was based also on the tort of passing off the defendants' products as the MASFOAM products, without the plaintiffs' permission or consent.

B

[27] The defendants argued that since it was the first plaintiff only which was the registered proprietor of the trademark, the second and third plaintiffs had lacked the capacity to institute this action.

C

[28] At this juncture, it is important to distinguish between infringement of trademark and the tort of passing off. The claim for infringement of trademark, which deals with registered rights, was instituted by the first plaintiff as the registered proprietor of the trademark, whereas the claim based on the tort of passing off, which is governed by common law and does not depend on the registered proprietorship of a trademark, was made by all the plaintiffs.

D

[29] The elements which must be present in a passing off action were enumerated in *Erven Warnink BV v Townend & Sons (Hull) Ltd* [1979] AC 731, and later in *Reckitt and Colman Products Ltd v Borden Inc and Others* [1990] 1 All ER 873 (also known as the *Jif Lemon* case), where it was stated in the latter case by Lord Oliver:

E

> There was for some time doubt as to the precise rights which were entitled to be protected by a passing off action but this was finally resolved in *AG Spalding & Bros v AW Gamage Ltd* (1915) 84 LJ Ch 449 at 450; [1914–15] All ER Rep 147 at 150, where Lord Parker identified the right as 'property in the business or goodwill likely to be injured by the misrepresentation'. More recently in *Star Industrial Co Ltd (trading as New Star Industrial Co) v Yap Kwee Kor* [1976] FSR 256 at 269 Lord Diplock, delivering the judgment of the Board, said:

F

G

> > A passing off action is a remedy for the invasion of a right of property not in the mark, name or get-up improperly used, but in *the business or goodwill likely to be injured by the misrepresentation made by passing off one person's goods as the goods of another*. Goodwill, as the subject of proprietary rights, is incapable of subsisting by itself. It has no independent existence apart from the business to which it is attached.

H

> It is sufficient that he misrepresents his goods in such a way that it is a reasonably foreseeable consequence of the misrepresentation that the plaintiff's business or goodwill will be damaged. (Emphasis added.)

I

[30] It is, therefore, crucial to note the following elements to establish a claim in the tort of passing off:

(a) that the plaintiffs have acquired goodwill in their trade/business;

(b) that there must be misrepresentation by the defendants which causes damage to the goodwill of the plaintiffs' business through an unlawful association created by the defendants; and

(c) that the plaintiffs have thereby suffered or is likely to suffer damage as a result of the defendants' misrepresentation.

Whether the plaintiffs had acquired goodwill in their trade/ business

[31] In order to discern if a litigant has business goodwill, the Court of Appeal in (*Yong Sze Fun & Anor (t/a Perindustrian Makanan & Minuman Layang-Layang) v Syarikat Zamani Hj Tamin Sdn Bhd & Anor* [2012] 1 MLJ 585, through Abdul Malik JCA, had distilled the following guidelines:

(a) that goodwill is the benefit added to the business through extensive trading operations which attracts custom;

(b) that trademark or get up is the badge and indicia that signifies, indicates and identifies the goodwill and the business;

(c) that goodwill is created through and by means of trading activities; and

(d) that the more extensive the trading activities are, which must necessarily include sales and promotion, the more value that would be attached to the goodwill.

[32] A perusal of the documentary evidence indicated that the plaintiffs which had been using the trademark since 2001, had been generating extensive sales in Malaysia, and had even garnered several accolades through the third plaintiff. As a result thereof, the plaintiffs had acquired substantial goodwill and reputation in their trade through the trademark, whereby the public as well as the construction community had identified 'MASFOAM' exclusively with the plaintiffs. 'MASFOAM' had, therefore, become an indicator of the plaintiffs' business and the MASFOAM products.

[33] The defendants submitted that the trademark was not well known and as such, no business goodwill was acquired. In my view, such argument was untenable as there was no requirement for a trademark to be renowned before the user may be said to have acquired business goodwill. This was clarified in the Court of Appeal case of *SkyWorld Development Sdn Bhd & Anor v SkyWorld Holdings Sdn Bhd & Ors* [2020] 3 MLJ 294, where it was stated by Kamaludin Md Said JCA:

> The trial judge failed to appreciate that *the appellants had the requisite goodwill in the SkyWorld name and mark, through their extensive and substantial advertising and promotional activities and investments, to establish a claim for passing off. There was no requirement that the goodwill had to be well-known.*The appellants were only required to show that the business identifiers (in this case the SkyWorld names and

A marks) were distinctive of the appellants. The law imposed an obligation on the corporate respondents as a business newcomer to ensure that no confusion arose from the use of the infringing names or marks. The respondents clearly failed to discharge this obligation given that they were in the same or allied field as the appellants. Once the appellants had established their claims for trademark
B infringement and/or passing off, the claim for the tort of unlawful interference with trade was made out as a natural consequence (see paras 89 & 91–92). (Emphasis added.)

[34] In my view, 'MASFOAM' was the indicator that signified and identified
C the plaintiffs' goodwill and business, through sales, marketing and trading activities, as a result of which, 'MASFOAM' was recognised by traders and members of the public.

Whether there was misrepresentation by the defendants

D

[35] A further issue was whether there was misrepresentation by the defendants, by passing off their products as those of the plaintiffs. In *Seet Chuan Seng & Anor v Tee Yih Jia Foods Manufacturing Pte Ltd* [1994] 2 MLJ
E 770, the (former) Supreme Court, through Gunn Chit Tuan CJ (Malaya), held as follows in relation to misrepresentation:

> In order to create a valid cause of action for passing off, there must be a misrepresentation made by a trader in the course of trade to prospective customers of his or ultimate consumers of goods or services supplied by him, which was
F calculated to injure the business or goodwill of another trader and which caused actual damage to a business or goodwill by whom the action is brought. *From the evidence, the name 'Tee Yih Jia', the logo and get-up had become distinctive of the respondent's products and the use by the appellants was likely to deceive or cause deception to a potential buyer or customer of popiah skins.* (Emphasis added.)

G

[36] According to the facts of the present case, the first defendant, together with CMT Moulding Construction and GRC Façade Enterprise had used 'MASFOAM'/'Masfoam' without the plaintiffs' consent. Such usage would have definitely deceived or confused potential buyers or customers of
H MASFOAM products.

[37] With regard to the second and third defendants, they were both involved in using 'MASFOAM'/'Masfoam' for the name of the first defendant. This rendered the second and third defendants liable for the act of passing off
I and infringement of the trademark.

[38] In addition, the third defendant, being the sole proprietor for both CMT Moulding Construction and GRC Façade Enterprise, had used 'MASFOAM'/'Masfoam' on their business resume without the permission of

the plaintiffs, and had also held himself to be the representative of the first defendant, as well CMT Moulding Construction and GRC Facades Enterprise, through his business cards which carried the mark

, which was visually and phonetically identical to the trademark. This was all the more reason for liability to be attached to the third defendant as well.

Whether the business/goodwill was likely to be injured by the misrepresentation

[39] It was, therefore, clear that there was misrepresentation by the defendants by the use of 'MASFOAM'/'Masfoam' on their invoices, purchase orders, delivery orders, resume and Facebook page, which would cause the public to associate the defendants' business and products with the plaintiffs, and which would likely to divert the plaintiffs' business, and injure the plaintiffs' business goodwill.

[40] Such injury to the plaintiffs' business goodwill was compounded by the confirmation by PW2 (Yeong Su Lin, director for the second and third plaintiffs), that the MASFOAM products had conformed to the European Organization's Technical Approval, rendering them high quality, as opposed to the defendants' products.

CREDIBILITY OF THE WITNESSES

[41] At this juncture, it is fundamental to state my observation of the witnesses, pursuant to s 146 of the Evidence Act, which reads:

> Section 146 — Questions lawful in cross-examination
>
> When a witness may be cross-examined, he may, in addition to the questions hereinbefore referred to, be asked any questions which tend:
>
> (a) to test his accuracy, veracity or credibility;
>
> (b) to discover who he is and what is his position in life; or
>
> (c) to shake his credit by injuring his character, although the answer to such questions might tend directly or indirectly to criminate him, or might expose or tend directly or indirectly to expose him to a penalty or forfeiture.

[42] I also found instructive the cases of *Sean Thornton (a minor by his mother and next friend) v Northern Ireland Housing Executive* [2010] NIQB 4 and *McAllister v Campbell* [2014] NIQB 24, where the criteria on assessing the

credibility of witnesses were distilled in the following passages:

> Credibility of a witness embraces not only the concept of his truthfulness ie whether the evidence of the witness is to be believed but also the objective reliability of the witness ie his ability to observe or remember facts and events about which the witness is giving evidence.
>
> In assessing credibility the court must pay attention to a number of factors which, inter alia, include the following:
>
> – The inherent probability or improbability of representations of fact
>
> – The presence of independent evidence tending to corroborate or undermine any given statement of fact
>
> – The presence of contemporaneous records
>
> – The demeanour of witnesses eg does he equivocate in cross examination
>
> – The frailty of the population at large in accurately recollecting and describing events in the distant past.
>
> – Does the witness take refuge in wild speculation or uncorroborated allegations of fabrication?
>
> – Does the witness have a motive for misleading the court?
>
> – Weigh up one witness against another.

[43] I found the plaintiffs' witnesses, PW1 (Lee Chin Cheng, director for the first plaintiff) and PW2, to be direct, consistent, and were corroborated by the documentary evidence adduced in court. There was no basis to disbelieve them.

[44] The defendants' witnesses, on the other hand, in particular DW1, was evasive, and prevaricated when asked questions regarding the incorporation of the first defendant, and his knowledge of the name 'MASFOAM'/'Masfoam' and the MASFOAM products. I had noted that his responses to numerous questions were the ubiquitous and convenient 'I don't know' and 'I don't remember'. There were also several contradictions in his evidence, and a perusal of the notes of evidence indicated that both DW1 and DW2 had actually admitted to having knowledge of MASFOAM prior to incorporating the first defendant, and using the trademark without the plaintiffs' consent.

DAMAGES

[45] With regard to damages, it is pertinent to note that damages suffered by the plaintiffs as a result of the defendants' misrepresentation need not be actual damage. It would be sufficient for the plaintiffs to prove a likelihood of damage.

[46] This was clarified by the former Supreme Court in *Seet Chuan Seng & Anor v Tee Yih Jia Foods Manufacturing Pte Ltd* [1994] 2 MLJ 770, where it was stated by Gunn Chit Tuan CJ (Malaya):

> In an action for passing off, the damage is an essential element of the tort and it is necessary for the plaintiff to establish that he had suffered damage. However, like in this case, where the goods were in direct competition with one another, the court would readily infer the *likelihood of damage to the respondent's goodwill through the loss of sale and loss of the exclusive use of his name*. Here, the court was satisfied that passing off had been established by the respondent. (Emphasis added.)

[47] Reference was made also to the case of *Dabur India Ltd v Nagasegi Sdn Bhd & Ors* [2011] 7 MLJ 522, where it was stated that the court is in a position to infer likelihood of damage to the plaintiff's goodwill through the loss of sale profits.

[48] In the present case, bearing in mind that the first defendant's products were in direct competition with the plaintiffs' and that the defendants had undeniably used the 'MASFOAM'/'Masfoam' mark, without the consent and permission of the plaintiffs, I am of the view that the plaintiffs would have suffered losses of sale profits based on the loss of exclusivity over their trademark, and diversion of customers from the plaintiffs to the defendants. In fact, based on the evidence adduced by the plaintiffs, it was clear that the defendants had diverted business from the plaintiffs by using a mark which was identical to the plaintiffs' trademark.

[49] The defendants argued that the court should not consider the issue of damages as that should be assessed at a later date. In my view, such argument applies only to special damages. As far as exemplary damages and damages for dilution of the goodwill of the plaintiff, there was no reason to delay the granting of such reliefs.

CONCLUSION

[50] In the upshot, therefore, based on the aforesaid reasons, and after careful scrutiny and consideration of all the evidence before this court, including the written and oral submissions of both parties, this claim was allowed, which included the following reliefs:

(a) a mandatory injunction against the first defendant to compel it to change its name and remove 'Masfoam' from it;

(b) an injunction to restrain the defendants, from continuing to infringe the trademark, and from passing off or attempting to pass off the defendants' products as that of the plaintiffs;

(c) an amount of MYR100,000 for dilution of goodwill of the plaintiffs;

A (d) a global sum of MYR200,000 for exemplary damages based on the wilful conduct of the defendants, in particular the second and third defendants;

(e) an inquiry as to damages or account of profits; and

B (f) costs in the amount of MYR40,000 (subject to allocatur fees).

Claim allowed with costs of RM40,000.

Reported by Izzat Fauzan

C

D

E

F

G

H

I